

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
Ellen Gavin
Marshall Johnson
Phyllis A. Reha
Gregory Scott

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Qwest's Proposed Rate Change
to the Residence and Business Rates for Call
Waiting and Qwest Receptionist

ISSUE DATE: March 27, 2003

DOCKET NO. P-421/AM-02-2154

ORDER ACCEPTING RATE INCREASE

PROCEDURAL HISTORY

On December 17, 2002, Qwest filed a notification of its proposal to increase prices for its Call Waiting and Qwest Receptionist services for residence and business customers, effective January 6, 2003. For residence customers the rates for Call Waiting and Call Waiting ID would increase from \$5.10 to \$5.50 per month. The monthly rates for Qwest Receptionist Name and Number would increase from \$12.05 to \$12.45 and the rate for Qwest Receptionist Caller ID with Privacy would increase from \$15.05 to \$15.45.

For business customers, Call Waiting would be increased from \$5.10 to \$5.50 per month and the Qwest Receptionist Name and Number and Qwest Receptionist Number would each increase by \$0.40 to \$13.45 and \$13.00 respectively. Qwest Receptionist Caller ID with Privacy would increase from \$16.05 to \$16.45.

Qwest provided notice of these increases to its residential and business customers in bill inserts included in the November 2002 bills. On November 18, 2002, notice was provided to the Wholesale Local Markets Account Teams.

On January 6, 2003, the Department of Commerce (DOC) filed comments objecting to the proposed increase.

On January 30, 2003, the DOC filed additional comments.

On February 12, 2003, Qwest filed reply comments.

The matter came before the Commission on March 13, 2003.

FINDINGS AND CONCLUSIONS

I. Qwest's AFOR Plan¹

Call Waiting is classified as a flexibly priced, category A service under Qwest's Alternative Form of Regulation (AFOR) plan. The AFOR plan provides that the rate for this service is not to be increased for the first three years of the plan. Thereafter, Qwest may petition the Commission to increase rates for this service, provided that any proposed increase must not exceed 10% in each of the remaining years.²

The plan further provides that Qwest may increase the rates for a flexibly priced service 20 days after filing the rate increase with the Commission, providing notice has been given to affected customers. Any party may object to a proposed rate increase by filing an objection within 20 days of the Company's rate increase filing.

II. The DOC's Position

The DOC argued that Qwest filed no cost justification for its increase. It argued that the proposed rate increase moves the Call Waiting price further from its cost and the extent of the mark-up over cost reflects the lack of substitutes for this service. The DOC argued that these factors indicate that the service is not subject to competitive pressure and that Qwest has not demonstrated that the increases are fair and reasonable.

The DOC reviewed the monthly Call Waiting rates for Sprint, Frontier and Citizens and concluded that Qwest's proposed rates were higher than the Call Waiting rates of these other incumbent local exchange carriers.³

The DOC recommended that Qwest's proposed rates be denied.

III. Qwest's Position

Qwest indicated it was increasing Call Waiting to keep pace with the industry as Verizon, Bell South and SBC Communications have Call Waiting rates that are higher than Qwest's. It argued that the value received by the customer offsets the proposed increase. Further, customers are free to choose to take the Call Waiting or not without affecting other telephone service.

¹ Qwest's AFOR plan was effective January 1, 1999.

² As of January 2, 2002, Qwest increased its rate for Call Waiting from \$4.65 to \$5.10 per month, in Docket No. P-421/AM-01-1818.

³ Citizens' Call Waiting monthly rates are \$2.45 (residence) and \$2.95 (business), Frontier's are \$3.00 (residence) and \$4.00 (business), and Sprint's are \$5.00 (residence) and \$5.25 (business).

Qwest argued that the DOC's requiring cost justification is an attempt to apply a rate of return regulatory standard to an AFOR plan, which is contrary to the provisions of Qwest's AFOR.

Further, Qwest argued that it has complied with its AFOR plan. It did not increase these prices for the first three years of the plan and is now requesting an increase that does not exceed the 10% limit set in the plan.

IV. Commission Action

The Commission finds the increase in Qwest's Call Waiting rates reasonable and will accept the proposed rates. The increase is less than the 10% maximum permitted under Qwest's AFOR and the consumer can choose to take Call Waiting or not without affecting basic service.

ORDER

1. The rate increase proposed by Qwest for Call Waiting and Qwest Receptionist for residence and business customers is accepted.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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